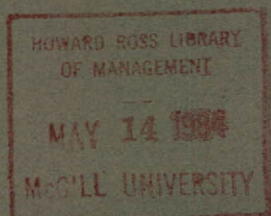


Annual Report 1983 ^C

La Luz Mines Limited



LaLuz

Board of Directors

John C. Charles, Toronto, Ontario
President

Robert E. Fasken, Oakville, Ontario
Vice President

K. G. R. Gwynne-Timothy, Q.C., Toronto, Ontario
Partner, Holden Murdoch & Finlay, Barristers and Solicitors

Caldwell J. Kerr, Brampton, Ontario
President, Canameque Equipment Company Limited

Robert M. Smith, Oakville, Ontario
Executive Vice President

Officers

John C. Charles — *President*

Robert M. Smith — *Executive Vice President*

Robert E. Fasken — *Vice President*

William R. Robertson — *Secretary*

Robert D. Sherman — *Treasurer*

Jack A. Amormino — *Controller*

Transfer Agent and Registrar

Central Trust Company
Toronto, Canada

Auditors

Thorne Riddell
Toronto, Canada

Executive and Head Office

Suite 3001, South Tower, P.O. Box 45
Royal Bank Plaza
Toronto, Canada M5J 2J1

Annual Meeting of Shareholders

May 31, 1984, 11:00 a.m.
Peel Room
The Sheraton Centre
Toronto, Ontario

Share Listing

The Toronto Stock Exchange
Share Symbol: LAZ

Directors Report to the Shareholders

Your Directors are pleased to report a significant increase in earnings for the year ended December 31, 1983 to \$751,823 or \$.48 per share after an extraordinary gain of \$365,000 or \$.24 per share representing the realization of income tax benefits not previously recorded. This compares with a loss in the 1982 year of \$7,187,579 or \$4.55 per share, as restated. Coal revenue increased to \$40.4 million in 1983 from \$38.5 million in 1982. Earnings per share in 1983 has been determined in accordance with the Corporation's accounting policy, which requires a weighted average calculation of common shares issued. As a result, the common shares issued at the end of 1983 had a nominal effect on 1983 earnings per share. The turnaround was achieved in the Corporation's affairs notwithstanding the continuing difficulties in the economy and its direct impact on the coal industry.

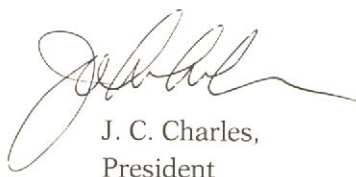
A rights offering was successfully concluded in November 1983 whereby shareholders were offered the right to subscribe, at an exercise price of Cdn. \$13.50, for one unit consisting of three Class A convertible preference shares and one Class B non-voting preference share for each common share held. As a result, the Corporation retired \$17.3 million of notes payable to affiliated companies. Pursuant to a reorganization and refinancing agreement \$10.6 million representing accrued interest on the above notes was contributed to the Corporation by the affiliated companies.

Operating and administration expenses declined in the year by 5% to \$32.8 million from \$34.4 million in 1982 owing primarily to operational improvements achieved in the year.

Interest costs declined significantly in the year to \$3.1 million versus \$7 million in 1982, a reduction of 56%. This was due to the refinancing as discussed above as well as to lower prime rates in the year.

The directors would like to take this opportunity to thank the Corporation's personnel for their efforts and loyalty. The achievements in the year could not have been realized without those contributions.

On Behalf of the Board of Directors



J. C. Charles,
President

Review of Operations

Crown City Mine

The 100% owned subsidiary, Crown City Mining Incorporated, owns and operates an open pit mine located in Gallia and Lawrence Counties approximately 20 miles from Gallipolis, Ohio. The company's properties consist of approximately 11,000 acres of surface and mineral rights. High raw coal sulphur levels from time to time during the year led to inefficient coal washing plant operation and higher than normal coal losses in order to meet our contract coal specifications. Capital expenditures will be made in early 1984 to improve the coal washing plant's efficiency for removal of sulphur. These improvements will permit the mine to more easily comply with contract requirements during the periods when the coal mined contains higher percentages of sulphur.

However, in spite of these problems, the mine enjoyed a very successful year. Sales for the year totalled 472,000 tons of coal versus 448,000 tons in 1982. The cash flow generated by the operations has allowed the replacement of some old, high-maintenance mobile equipment in early 1984. The new equipment will enable the operation to reduce maintenance costs and improve equipment availability, both of which are important to the continued profitable operations in 1984.

Muskingum Mine

Muskingum Mining Incorporated, a wholly owned subsidiary, produces coal from open pit operations on 17,000 acres of land located 15 miles north of Zanesville, Ohio. Production for 1983 at the Muskingum operation increased to 673,000 tons from 624,000 tons in 1982, notwithstanding the shutdown of the mine for the month of March 1983 to accommodate a shipping schedule altered by the coal buyer.

Improvements in equipment maintenance, mine planning, scheduling, and the addition of new mobile equipment has contributed to better equipment availability and higher productivity. As a result of these and other improvements, productivity increased to 21.1 tons per man day compared to 18.2 tons per man day in 1982.

Labour Contract Negotiations

The current labour contract with the United Mine Workers expires in September, 1984 and negotiations are scheduled to commence in the second quarter of 1984.

Financial Position

As a result of the Corporation's refinancing and reorganization activities carried out in the year, long term liabilities were decreased by \$27.9 million. A further net reduction of \$610,000 in long term liabilities was realized from operations.

Working capital provided from operations was \$5.8 million in 1983 versus \$3.1 million in 1982. Capital expenditures totalled \$1.8 million in 1983 compared with \$6.1 million in 1982. The Corporation's working capital deficiency was reduced in the year by \$4.1 million to a deficiency of \$3.1 million at December 31, 1983.

Long term liabilities at December 31, 1983 were \$22.7 million against shareholders' equity of \$8.1 million. This position was significantly improved from the 1982 year end long term liabilities of \$50.2 million against a shareholders' deficiency of \$21.8 million as discussed above.

Consolidated Balance Sheet

as at December 31, 1982

(Expressed in U.S. Dollars)

Assets	1983	1982
		(restated)
Current assets		
Cash and short term deposits	\$ 3,784,265	\$ 1,638,266
Accounts receivable	3,886,966	3,173,299
Inventories (note 3)	2,113,182	1,898,135
Prepaid expenses	274,828	264,522
	<u>10,059,241</u>	<u>6,974,222</u>
Investment in parent company		
(quoted market value \$912,500; 1982, \$1,220,000)	1,237,804	1,237,804
Property, buildings and equipment (note 4)	<u>29,363,803</u>	<u>31,233,522</u>
Other assets		
Preproduction expenditures, less accumulated amortization	1,514,133	1,669,065
Petroleum and natural gas interests, less accumulated depletion	169,816	195,246
Advance royalty payments	393,471	424,485
Deferred reclamation costs	973,627	482,891
Other	221,317	251,000
	<u>3,272,364</u>	<u>3,022,687</u>
	<u>\$ 43,933,212</u>	<u>\$ 42,468,235</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 9,505,381	\$ 8,390,618
Current maturities of long term liabilities	3,628,679	5,710,407
	<u>13,134,060</u>	<u>14,101,025</u>
Long term liabilities (note 6)	<u>22,737,470</u>	<u>50,171,080</u>
Shareholders' Equity		
Capital stock (note 7)		
Issued		
6,310,607 common shares (1982, 1,580,759 shares)	3,373,829	3,372,829
3 Class A preference shares	3	
1,576,617 Class B preference shares	1,008	
	<u>3,374,840</u>	<u>3,372,829</u>
Contributed surplus (note 7)	<u>27,946,452</u>	
	31,321,292	3,372,829
Deficit	<u>(23,259,610)</u>	<u>(25,176,699)</u>
	8,061,682	(21,803,870)
	<u>\$ 43,933,212</u>	<u>\$ 42,468,235</u>

Contingent liabilities and commitments (note 8)

On behalf of the Board


Director


Director

Consolidated Statement of Operations

Year ended December 31, 1983

(Expressed in U.S. Dollars)

	1983	1982
		(restated)
Revenue		
Coal	\$ 40,438,877	\$ 38,518,865
Petroleum and natural gas	85,534	146,336
	<u>40,524,411</u>	<u>38,665,201</u>
Operating and administrative expenses	32,827,070	34,368,568
Interest	3,067,405	6,966,721
Depreciation, depletion and amortization	3,878,113	4,517,491
	<u>39,772,588</u>	<u>45,852,780</u>
Income (loss) before taxes and extraordinary item	751,823	(7,187,579)
Income taxes	365,000	
Income (loss) before extraordinary item	386,823	(7,187,579)
Realization of income tax benefits not recorded in prior years	365,000	
Net income (loss)	\$ 751,823	\$ (7,187,579)
Net income (loss) per share		
Before extraordinary item	\$.24	\$(4.55)
Net income (loss)	\$.48	\$(4.55)

Consolidated Statement of Deficit

Year ended December 31, 1983

(Expressed in U.S. Dollars)

	1983	1982
		(restated)
Deficit at beginning of year		
As previously reported	\$ (24,026,074)	\$ (16,738,850)
Adjustment of machinery and equipment overhaul costs (note 2 (a)).	(1,150,625)	(1,250,270)
	<u>(25,176,699)</u>	<u>(17,989,120)</u>
Adjustment of advance stripping costs (note 2 (b))	1,165,266	
As restated	(24,011,433)	(17,989,120)
Net income (loss)	<u>751,823</u>	<u>(7,187,579)</u>
Deficit at end of year	\$ (23,259,610)	\$ (25,176,699)

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1983

(Expressed in U.S. Dollars)

	1983	1982
		(restated)
Working capital derived from		
Refinancing and reorganization (notes 6 and 7)		
Increase in capital stock and contributed surplus	\$ 27,948,463	
Decrease in long term liabilities	(27,948,452)	
	11	
Operations	5,755,736	\$ 3,083,346
Increase in long term liabilities	975,000	5,783,754
Other assets	26,762	212,854
	<u>6,757,509</u>	<u>9,079,954</u>
Working capital applied to		
Retirement of long term liabilities	1,585,958	3,437,886
Additions to fixed assets	1,794,097	6,066,431
Deferred reclamation costs	490,736	482,891
Advance royalty payments		107,643
	<u>3,870,791</u>	<u>10,094,851</u>
Increase (decrease) in working capital position	2,886,718	(1,014,897)
Working capital deficiency at beginning of year		
As previously reported	(7,126,803)	(6,111,906)
Adjustment of advance stripping costs (note 2 (b))	1,165,266	
As restated	(5,961,537)	(6,111,906)
Working capital deficiency at end of year	\$ (3,074,819)	\$ (7,126,803)

AUDITORS' REPORT

To the Shareholders of
La Luz Mines Limited

We have examined the consolidated balance sheet of La Luz Mines Limited as at December 31, 1983 and the consolidated statements of operations, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

Effective January 1, 1983, the company changed its method of accounting for advance stripping costs as described in note 2(b) to the consolidated financial statements. As the decision to adopt this method of accounting was made subsequent to January 1, 1983 we were unable to observe the quantity of bench and pit coal uncovered at that date and we were unable to satisfy ourselves as to these quantities by other means. Accordingly we were unable to determine whether any adjustments might be necessary to net income for 1983, deficit at the beginning of the year, as restated, working capital derived from operations and working capital deficiency at the beginning of the year, as restated.

In our opinion,

- (a) the consolidated balance sheet presents fairly the financial position of the company as at December 31, 1983, and
- (b) except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to opening inventory quantities referred to in the preceding paragraph, the consolidated statements of operations, deficit and changes in financial position present fairly the results of its operations and the changes in its financial position for the year then ended

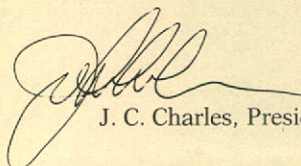
all in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for advance stripping costs and after giving retroactive effect to the change in the method of accounting for machinery and equipment overhaul costs, both of which are described in note 2, on a basis consistent with that of the preceding year.

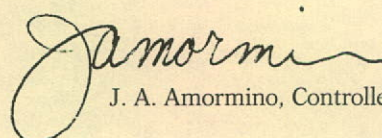
Toronto, Canada.
April 11, 1984

Thorne Riddell
Chartered Accountants

MANAGEMENT REPORT

The annual report and financial statements have been prepared by management and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in the method of accounting for advance stripping costs and after giving retroactive effect to the change in the method of accounting for machinery and equipment overhaul costs, both of which are described in note 2. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the annual report including the financial statements.


J. C. Charles, President


J. A. Amormino, Controller

Notes to Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1983
(Expressed in U.S. Dollars)

The company is incorporated in the Province of Ontario under the Business Corporations Act. As at December 31, 1983 approximately 89.5% (1982, 58%) of the issued voting shares of the company were owned by Camflo Mines Limited. The principal activities of the company consist of coal mining operations in the State of Ohio, U.S.A. through its wholly owned U.S. subsidiary Muskingum Mining Incorporated (formerly La Luz Ohio, Inc.) operating the Muskingum and Crown City Mines. All of the company's coal revenues are derived from sales to an electric power utility located in the State of Ohio.

1. Summary of Significant Accounting Policies

- (a) Basis of consolidation
These consolidated financial statements include the accounts of the company and its wholly owned U.S. subsidiaries, Panaminas Incorporated and Muskingum Mining Incorporated. All material intercompany transactions have been eliminated. As at December 31, 1983, Panaminas Incorporated was wound up and its assets and liabilities were distributed to Muskingum Mining Incorporated.

- (b) Inventories
Stockpiled coal, which represents coal mined and stockpiled awaiting shipment, is valued at the lower of cost and net realizable value. As at December 31, 1983 bench and pit coal is recorded at the lower of the costs associated with uncovering this unmined coal and net realizable value (note 2(b)).

Mine operating supplies are recorded at cost.

- (c) Investment in parent company
The investment in shares of the parent company, Camflo Mines Limited, is recorded at cost.

- (d) Depreciation, depletion and amortization

- (i) Coal
The company uses the unit of production method to compute depletion and amortization on coal lands and preproduction expenditures and the straight line method of depreciation on the major portion of the property, buildings and equipment.

- (ii) Petroleum and natural gas
The company follows the full cost method of accounting for its petroleum and natural gas interests whereby all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing property, costs of drilling both productive and unproductive wells and related production equipment. Proceeds received on disposal of properties are ordinarily credited against such costs.

Depreciation and depletion are provided on the net costs using the composite unit of production method based on total estimated proven reserves.

- (e) Basis of translation of Canadian currency
Canadian currency has been translated as follows: current assets and liabilities, at exchange rates prevailing at the year end; all other assets and liabilities, at exchange rates prevailing at the date the assets were acquired or the liabilities incurred; revenues and expenses, at the average exchange rate for the year except for depreciation, depletion and amortization which are based on the cost of assets as translated; and unrealized foreign exchange gains and losses are included in operations.
- (f) Reclamation
Management estimates the cost of restoring land disturbed by the mining process based on engineering surveys and aerial photography. The reclamation liability and offsetting deferred costs are recorded at the time the lands are affected. The deferred costs are charged to operations as coal is extracted at a rate based on the total cost of restoring lands to be affected and the total number of tons of recoverable coal, by mining permit area.
- (g) Net Income (loss) per share
Net income (loss) per share is calculated based on the weighted average number of voting shares outstanding.
- (h) Comparative figures
Certain comparative figures for 1982 have been reclassified to conform with financial statement presentation adopted in 1983.

2. Accounting Changes

- (a) Machinery and equipment overhaul costs
During the year, the company changed its method of recognizing the cost of machinery and equipment overhauls to that of immediate recognition. Prior to 1983, such costs were capitalized and amortized over three years. This change in accounting principle increased the income before taxes and extraordinary item by \$63,430 for the year ended December 31, 1983, decreased the loss by \$99,645 for the year ended December 31, 1982 and increased the deficit as at January 1, 1982 by \$1,250,270.
- (b) Advance stripping costs
Effective January 1, 1983, the company changed its method of charging stripping costs to operations as described in note 1(b). Prior to 1983, the company expensed to current operations all costs associated with uncovering coal to be removed in a subsequent period. On January 1, 1983, the company recorded as inventory the costs associated with uncovering coal available to be removed in a subsequent period. This cost is charged to operations as the coal is mined. This change in accounting principle decreased the opening deficit and working capital deficiency as at January 1, 1983 by \$1,165,266 and decreased the income before taxes and extraordinary item for the year ended December

31, 1983 and the working capital deficiency as at December 31, 1983 by \$748,824. The effects of this change in accounting principle prior to January 1, 1983 are not determinable.

(c) Coal reserves

Effective January 1, 1983, the company recognized an increase in the estimated coal reserves at its Crown City mine. This decreased the annual cost of those expenses recognized on the unit of production method as detailed in note 1(d). This change in accounting estimate increased income before taxes and extraordinary item for the year ended December 31, 1983 by \$571,776.

(d) Reclamation costs

Effective January 1, 1982, the company changed its method of charging reclamation costs to operations as described in note 1(f). Prior to 1982, reclamation costs were charged to operations in the year in which the coal lands were disturbed. This change in accounting principle resulted in a decrease of \$483,000 in the loss for the year ended December 31, 1982. The effect of this change in accounting principle as of January 1, 1982 is not determinable.

Also effective January 1, 1982 the company revised its method of estimating the reclamation liability. This change in accounting estimate increased the loss for the year ended December 31, 1982 by \$675,000.

3. Inventories

	1983	1982
Mine operating supplies	\$ 1,412,345	\$ 1,362,961
Coal		
Stockpiled	284,395	535,174
Bench and pit (note 2(b))	416,442	
	<u>\$ 2,113,182</u>	<u>\$ 1,898,135</u>

4. Property, Buildings and Equipment, at cost

	1983	1982
		(restated)
Land	\$ 9,233,823	\$ 9,189,966
Buildings	1,638,732	1,652,604
Washing and preparation plant	2,400,026	2,400,026
Machinery and equipment	27,783,955	28,177,313
Equipment under capital leases	5,037,789	4,787,789
Vehicles	1,713,938	859,303
Furniture and fixtures	126,725	92,224
	<u>47,934,988</u>	<u>47,159,225</u>
Less accumulated depreciation, depletion and amortization	<u>18,571,185</u>	<u>15,925,703</u>
	<u>\$29,363,803</u>	<u>\$31,233,522</u>

5. Accounts Payable and Accrued Liabilities

	1983	1982
Trade and other	\$ 5,657,831	\$ 5,122,960
Related companies	525,798	492,658
Accrued reclamation	3,321,752	2,775,000
	<u>\$ 9,505,381</u>	<u>\$ 8,390,618</u>

The company has provided as security to the State of Ohio surety bonds in the approximate amount of \$11,973,000 (1982, \$10,281,000) to ensure the performance of the reclamation work.

6. Long Term Liabilities

	1983	1982
Notes payable	\$ 5,750,358	\$ 8,191,535
Mortgage payable	5,787,640	5,500,000
Capital leases	3,680,489	4,282,362
Notes payable, affiliated companies	11,125,800	37,865,356
Other	21,862	42,234
	<u>26,366,149</u>	<u>55,881,487</u>
Less current maturities	<u>3,628,679</u>	<u>5,710,407</u>
	<u>\$22,737,470</u>	<u>\$50,171,080</u>

	1983	1982
Notes payable		
Notes payable secured by certain equipment, bearing interest at rates varying from 1½% to 2½% above U.S. prime rate, maturing approximately as follows:		
1984, \$1,388,000;		
1985, \$1,176,000;		
1986, \$1,056,000;		
1987, \$883,000;		
1988, \$447,000	\$ 4,950,358	\$ 5,785,285

Notes payable, secured by the coal washing plant and the same collateral securing the mortgage payable, bearing interest at U.S. prime plus 2%, payable in quarterly principal instalments of \$93,750		1,406,250
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Notes payable, unsecured, bearing interest at 10% (1982, 6%), payable principal plus interest at the greater of \$.20 per ton on coal mined and sold or \$200,000 per annum maturing approximately as follows:		
1984, \$164,000;		
1985, \$182,000;		
1986, \$201,000;		
1987, \$222,000;		
1988, \$31,000	800,000	1,000,000
	<u>\$ 5,750,358</u>	<u>\$ 8,191,535</u>

Mortgage Payable

The mortgage payable bears interest at 2% above the lender's New York prime commercial rate payable monthly. Pursuant to an agreement dated March 31, 1983 principal payments are monthly instalments of \$95,920 commencing May 1, 1983 and ending on December 1, 1988. The mortgage is secured by the company's investment in the parent company and in Muskingum Mining Incorporated including liens upon substantially all of the subsidiary's assets.

Capital leases

Capital leases represent the present value of the net minimum lease payments, as at December 31, 1983, calculated at the lessor's implicit interest rates, which vary from 8½% to 11%. The leases are secured by the equipment under capital leases.

Payments due under capital leases are as follows:

	Payments	Deferred Interest	Principal
1984	\$1,243,091	\$317,504	\$ 925,587
1985	1,204,127	225,351	978,776
1986	1,063,031	130,018	933,013
1987	884,615	41,502	843,113
1988	—	—	—
	<u>\$4,394,864</u>	<u>\$714,375</u>	<u>\$3,680,489</u>

Notes payable, affiliated companies

	1983	1982
Notes payable, secured by certain of the company's assets, non interest bearing (1982, U.S. prime interest rate plus 1½%)	\$ 125,800	\$37,365,356
Notes payable, unsecured, bearing interest at 18%		500,000
Term notes payable, including accrued interest of \$1,000,000, secured by mortgages on certain coal lands and security interests in the company's assets, subordinated as to the payment of principal and interest to the mortgage payable, certain reclamation bonds and the Muskingum lease, bearing interest at 10% per annum	<u>11,000,000</u> <u>\$11,125,800</u>	<u>\$37,865,356</u>

Pursuant to a reorganization and refinancing agreement dated March 31, 1983, the affiliated companies contributed by way of forgiveness, interest accrued and unpaid to December 31, 1982 of \$10,601,728 on the notes payable. The parent agreed to subscribe for 1,576,616 units

as described in note 7(b) and as consideration therefore to deliver certain notes payable above totalling \$17,346,724 as fully repaid. The remaining \$10,000,000 of the notes payable were converted to the term notes as described above, effective as at January 1, 1983.

Interest expense includes \$1,125,800 (1982, \$4,473,702) charged by the affiliated companies.

7. Capital Stock

- (a) The authorized share capital of the company is as follows:
- | | |
|-----------|--|
| 2,270,152 | Non-cumulative, participating, convertible voting Class A preference shares |
| 2,000,000 | Non-cumulative, participating, non-voting Class B preference shares, redeemable at Cdn. \$9 each |
| 7,729,848 | Common shares |
- (b) Pursuant to an offering dated October 20, 1983 and as part of a reorganization and refinancing agreement (see note 6), shareholders of the company were offered the right to purchase one unit consisting of three Class A voting preference shares and one Class B non-voting preference share for each share then held for a total price of Cdn. \$13.50. The parent company subscribed for 917,510 units and agreed to subscribe for an additional 659,106 units in order that the company receive, in the aggregate, not less than \$17,346,724. The company issued 1,576,617 units for total proceeds of \$17,346,735 (Cdn. \$21,284,329).
- 4,729,848 Class A preference shares issued under the offering were converted to common shares.

8. Contingent Liabilities and Commitments

- (a) Under an agreement, as amended July 14, 1982, coal mining rights have been leased to Muskingum Mining Incorporated in consideration for a royalty payment of \$4.08 per ton in 1983 and \$3.81 per ton thereafter on the greater of 700,000 tons per year or the coal produced and shipped in the year. Royalties paid in excess of coal produced and shipped in the year can be applied against royalties due in subsequent lease years on production in excess of the annual minimum tonnage requirements. The amendment to the lease permitted the use of prepaid royalties as satisfaction of royalties due to December 25, 1982. The lease is for a term of twenty years ending October 31, 1998, subject to the lessee's right to surrender the lease at any earlier time when all economically mineable coal has been mined or minimum royalties on 14,000,000 tons have been paid. The lease may be renewed for successive three year periods.

Under the terms of the coal lease, Muskingum is required to maintain at least \$2,000,000 working capital (as defined) to December 31, 1983. As at December 31, 1983 and 1982, Muskingum was not in compliance with this covenant. The lessor has waived this default to December 31, 1983. Further, the lease agreement has been amended effective January 1, 1984 to reduce the required level of working capital to a minimum of \$1 except that distributions to affiliates cannot reduce the level of working capital to below \$2,000,000.

- (b) In consideration of the guarantee of the mortgage payable (note 6) and certain reclamation bonds (note 5), the company has agreed to pay a commitment fee to the parent company of \$.10 per ton (1982, \$.30 per ton) on all coal mined and sold. Operating and administrative expenses include \$114,510 (1982, \$323,135) as commitment fees.

9. Other Related Party Transactions

The company shares office premises with certain related companies and certain administrative expenses are allocated amongst the companies.

10. Income Taxes

The company and its subsidiaries have non-capital losses and other tax credits which are available for carry forward to future fiscal years ending not later than:

	United States Subsidiaries		
	Loss carry forwards	Loss carry forwards	Investment and new jobs tax credit
1984	\$ 104,000		
1985	829,000		
1986	253,000		
1987	284,000		
1989			\$ 99,000
1990			149,000
1991			44,000
1992			96,000
1993			307,000
1994		\$ 1,160,000	717,000
1995		10,695,000	518,000
1996		5,527,000	235,000
1997		6,857,000	126,000
1998			129,000
	<u>\$1,470,000</u>	<u>\$24,239,000</u>	<u>\$2,420,000</u>

In addition, the company has accumulated net capital tax losses of approximately \$1,368,000 which may be carried forward indefinitely for application against future taxable capital gains.

The benefit relating to these tax carry forwards have not been recorded in the accounts.

